

Message Text

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PAGE 01 LONDON 05271 01 OF 02 301436Z

53

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

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TO SECSTATE WASHDC 9898

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LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 05271

E.O. 11652: N/A

TAGS: ELAB, UK

SUBJECT: SOCIAL CONTRACT HOLDS BUT OPPOSITION CLAIMS

GOVERNMENT 'CON' ACT

1. THE DECISION OF THE AMALGAMATED UNION OF ENGINEERING WORKERS (AUEW) TO SETTLE THEIR DISPUTE THIS PAST WEEKEND WITH THE ENGINEERING EMPLOYERS HAS CONSIDERABLY STRENGTHENED THE CREDIBILITY OF PRIME MINISTER WILSON'S "SOCIAL CONTRACT" WITH THE TRADE UNION MOVEMENT. HOWEVER, RECENT ACTIONS BY THE GOVERNMENT -- PARTICULARLY ITS DECISION LAST WEEK TO REBATE 10 MILLION POUNDS IN TAXES TO THE UNIONS -- HAVE RAISED ANGUISHED CRIES FROM

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PAGE 02 LONDON 05271 01 OF 02 301436Z

WILSON'S CRITICS THAT THE GOVERNMENT IS CATERING TO THE

TRADE UNIONS FOR POLITICAL SHORT TERM GAINS.

2. THE "SOCIAL CONTRACT" -- A CORNERSTONE OF WILSON'S INDUSTRIAL RELATIONS POLICY -- IS BY ITS NATURE A DIFFICULT INSTRUMENT TO MAINTAIN. IT RESTS ON THE PREMISE THAT THE GOVERNMENT, IN RETURN FOR A CONSENSUS INDUSTRIAL RELATIONS POLICY -- WITH THE UNIONS, THAT IS -- AND FOR CONCRETE EVIDENCE OF SOCIAL PROGRESS, WILL OBTAIN FROM THEM A POLICY OF WAGE RESTRAINT -- WHICH CURRENTLY MEANS CONFINEMENT WITHIN THE BOUNDS OF STAGE THREE. WHILE A NUMBER OF UNIONS HAVE SINCE MADE CLAIMS OUTSIDE OF STAGE THREE, INCLUDING GOVERNMENT EMPLOYEES AND TEACHERS, THE MOST WORRISOME FOR THE LABOR GOVERNMENT WAS A CLAIM BEYOND STAGE THREE BY 19 ENGINEERING UNIONS, WHICH MAKE UP THE CONFEDERATION OF SHIPBUILDING AND ENGINEERING UNIONS(CSEU) COMPRISING 2-1/2 MILLION MEMBERS, WITH THE AUEW ORGANIZING THE BULK OF THESE WORKERS.

3. THUS, WHEN THE AUEW REJECTED THE ENGINEERING EMPLOYERS OFFER AS INSUFFICIENT AND DECLARED AN OVERTIME BAN BEGINNING APRIL 15, A MAJOR THREAT TO THE SOCIAL CONTRACT BECAME CLEAR. HOWEVER, A COMBINATION OF EVENTS -- ADROIT MOVES BY SECRETARY OF STATE FOR EMPLOYMENT, MICHAEL FOOT, TO PERSUADE THE AUEW, THE RELATIVELY WEAKER POSITION OF THE UNION AS A RESULT OF THE THREE-DAY WEEK, AND A UNIFIED STAND BY THE MODERATES IN THE UNION, LED TO THE AUEW DECISION -- BY A VERY NARROW MAJORITY -- TO ACCEPT THE EMPLOYERS' STAGE THREE OFFER (DETAILS WILL BE TRANSMITTED BY AIRGRAM). THE CSEU VOTED THE FOLLOWING DAY TO FOLLOW THE LEAD OF THE AUEW AND THE SOCIAL CONTRACT REMAINS CONTACT.

4. HOWEVER, THE GOVERNMENT -- AS PART OF ITS GENERAL QUID PRO QUO TO THE UNIONS, OF WHICH THE AUEW IS A MAJOR BENEFICIARY -- ALSO DECIDED LAST WEEK TO TAKE PARLIAMENTARY POWER TO CANCEL THE TAX DEBTS TOTALLING ABOUT 10 MILLION POUNDS FOR UNIONS WHICH DURING THE LAST TWO YEARS REFUSED TO REGISTER UNDER THE INDUSTRIAL RELATIONS ACT AND WERE THEREFORE DEPRIVED OF TAX EXEMPTIONS. THE GOVERNMENT DECISION RESULTED IN A SHARP REACTION LIMITED OFFICIAL USE

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PAGE 03 LONDON 05271 01 OF 02 301436Z

FROM THE OPPOSITION BENCHES. WILLIAM WHITELAW, CONSERVATIVE SPOKESMAN ON EMPLOYMENT POLICY, ATTACKED THE GOVERNMENT'S MOVE, ALTHOUGH IN MODERATE TONES, BUT SOME MPS THIS PAST WEEKEND DENOUNCED WHAT THEY TERMED "THIS 10 MILLION POUND BRIBE."

5. STILL OTHER OPPOSITION LEADERS BROADENED THEIR ATTACK ON GOVERNMENT'S SOCIAL CONTRACT IN EVEN MORE ACID

TERMS. JAMES PRIOR, OPPOSITION SPOKESMAN ON HOME AFFAIRS, CALLED IT A SHORT-TERM "CON TRICK" BEFORE A QUICK ELECTION. HE SAID IT "MAKES THE FILM 'THE STING' NOW SHOWING AROUND THE COUNTRY, LOOK LIKE A VICAR'S TEA PARTY."

6. SPEAKING TO A UNION CONFERENCE ON SUNDAY, APRIL 28, PRIME MINISTER WILSON VIGOROUSLY DEFENDED THE GOVERNMENT'S POLICY IN DEVELOPING A SOCIAL CONTRACT WITH THE TRADE UNIONS AND, IN PARTICULAR, ITS DECISION TO REBATE 10 MILLION POUNDS IN TAXES TO THE UNIONS. HE ALSO

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PAGE 01 LONDON 05271 02 OF 02 301354Z

53

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LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 05271

DECLARED THAT THE GOVERNMENT'S DECISION TO REPEAL THE INDUSTRIAL RELATIONS ACT WOULD "DO MORE TO RESTORE HARMONY IN INDUSTRY THAN ANY MEASURE SEEN IN THIS COUNTRY FOR MANY YEARS." (REPEAL LEGISLATION WILL BE INTRODUCED IN THE COMMONS VERY SHORTLY.) HE ALSO PROMISED THAT THERE WOULD BE TALKS SOON BETWEEN THE TUC, THE GOVERNMENT AND THE CBI "COVERING THE WHOLE RANGE OF POLICIES OF WHICH THE QUESTION OF INCOMES IS ONLY A PART." LATER, HE SAID, THE GOVERNMENT WOULD INTRODUCE ITS EMPLOYMENT PROTECTION BILL WHICH WOULD INTER ALIA ESTABLISH NEW CONCILIATION AND ARBITRATION MACHINERY. THE PRIME MINISTER DECLARED: "THE SOCIAL CONTRACT IS NOT A PIECE OF PAPER. IT IS A LIVING AND LIMITED OFFICIAL USE

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PAGE 02 LONDON 05271 02 OF 02 301354Z

DEVELOPING RELATIONSHIP COVERING THE WHOLE RANGE OF OUR SOCIAL AND ECONOMIC POLICIES."

7. COMMENT: IT WOULD APPEAR THAT THE LABOR GOVERNMENT IS ACTING WITH CONSIDERABLE ADROITNESS IN CARRYING OUT ITS ELECTION MANIFESTO - OF WHICH THE "SOCIAL CONTRACT" WAS CLEARLY ONE OF ITS MAJOR PILLARS. BY SUCCESSFULLY HOLDING THE LINE ON THE "CONTRACT," BY INTRODUCING WHAT IS LIKELY TO BE DE MINIMUS INDUSTRIAL RELATIONS REPEAL LEGISLATION IN ORDER TO AVOID A DRAG-DOWN FIGHT OVER ITS PASSAGE IN THE COMMONS, AND BY OTHER MEASURES, THE GOVERNMENT IS BUILDING UP WHAT IT CONSIDERS TO BE A GOOD PRE-ELECTORAL POSITION. THERE WILL BE CONSIDERABLE COMMONS DEBATE ON THE GOVERNMENT'S POLICIES IN THESE AREAS DURING THE NEXT SEVERAL DAYS, BUT AS PHILIP RAWSTORNE WRITES IN THE APRIL 29 ISSUE OF THE FINANCIAL TIMES, "MR. HEATH'S PARLIAMENTARY STRATEGY IS NOW BASED ON 'WINNING THE ARGUMENTS' BUT AVOIDING AT ALL COSTS, PROVIDING THE LABOR GOVERNMENT WITH A POLITICAL EXCUSE FOR A JUNE ELECTION."

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